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1. Please identity yourself.

I am Philene Taormina. I am Vermont Advocacy Director for AARP. My professional background is set forth in my resume, Attachment AARP PT-1.

2. What is the purpose of your testimony?

My testimony addresses the history of attempts to create a ratepayer funded, low-income electric assistance program in Vermont, including the role of the Green Mountain Power, and in particular the legislative history of 30 V.S.A. 218(e). I also address several issues and concerns that various parties or potential parties have raised formally or informally about the proposal.

3. Please describe the history of ratepayer funded low-income assistance programs in Vermont.

For the past twenty years, there have been multiple attempts to implement some form of rate-payer funded electric assistance program to help make electric service more affordable to low-income Vermonters. What follows is a brief overview of that history.

1
2 In 1989 the Public Service Board (PSB) opened docket 5308, "an
3 investigation into the adoption and implementation of energy programs for
4 low-income households." That docket was initiated at the request of Green
5 Mountain Power (GMP), City of Burlington Electric Department (BED),
6 Vermont Public Power Supply Authority, Inc. (VPPSA), Central Vermont
7 Public Service Corporation (CVPS), and the Department of Public Service
8 (DPS). The docket was also prompted in part by a 1987 report from the
9 Vermont Legislature recommending that the PSB and other state agencies
10 "develop a long-term program to address comprehensive energy needs of
11 low-income persons..." See *Report and Closing Order*, Docket No. 5308,
12 March, 9, 1993. While the PSB agreed there was a need to assist low-
13 income Vermonters with the burden of their high energy costs and made
14 some recommendations for regulatory and legislative action to improve
15 coordination of programs that assist low-income customers with their energy
16 needs in its final order, it rejected the creation of a rate-payer funded low-
17 income electric program because of the general principle of not permitting
18 cross-subsidization of one group of customers by another. See *Report and*
19 *Closing Order*, Docket No. 5308, March, 9, 1993, footnote 10.

20
21 In 1997 the Senate passed an electric industry restructuring bill, S.62, that
22 included in section 8021 the creation of a rate-payer funded statewide

1 "electric energy affordability program." The House failed to take up the
2 legislation.

3
4 In the fall of 2004, the Vermont office of AARP and the Vermont Low-income
5 Advocacy Council released a report entitled "Vermont Energy Programs for
6 Low-income Electric and Gas Customers: Filling the Gap." That report
7 recommended that the state adopt several reforms, including the creation of
8 a low-income electric support program. See attachment AARP PT-2.

9
10 During the 2005 Vermont Legislative session there was considerable
11 discussion of the AARP report referenced above and companion legislation
12 was introduced in both the House and the Senate chambers. See H.245 and
13 S.86 from the 2005 Vermont Legislative session. In the spring of 2006,
14 legislators decided to take a recommendation from January 2005 Vermont
15 Electric Plan created by the DPS in a section entitled "Low-income Electricity
16 Assistance," which proposed as a next step a study committee on the issue
17 with all interested parties.

18
19 The potential benefits of helping Vermonters with low incomes pay
20 their electric bills and avoid the costs of disconnection merit further
21 consideration. A reasonable next step would be for the state to work
22 with utilities to more completely identify all current utility costs
23 associated with unaffordable bills for low-income consumers. This cost
24 study should consider all cost impacts in order to identify the full
25 potential benefits of a low-income electric assistance program. This
26 information could help inform a study committee composed of utility

1 representatives, low-income advocates, and regulators who should
2 thoroughly review available models and develop a cost-benefit analysis
3 of at least one model for a low-income electric energy assistance
4 program in Vermont. The results of that study should be used to guide
5 public policy on the establishment of such a program. See *Vermont*
6 *Electric Plan*, January 2005, page 10-13.
7

8 Act 208, "An Act Relating to the Energy Security and Reliability Act," was
9 signed into law in the spring of 2006 by Governor James Douglas and
10 contained in section 10 language directing the PSB to conduct a collaborative
11 workshop and "design proposed electricity affordability program in the form
12 of draft legislation." See 30 VSA section 209c.
13

14 The PSB began the low-income electric affordability workshop process on
15 June 12, 2006. There were several days of workshops over the summer and
16 fall and more than 30 diverse stakeholders participated. All materials from
17 the Electric Affordability Collaborative are posted on the Board's website.
18

19 In January 2007 the PSB submitted to the Vermont Legislature the "Electric
20 Affordability Program: Report and Draft Legislation." Hearings took place on
21 the PSB report in the Senate Economic Development and the Housing and
22 General Affairs Committee, which later passed a committee bill that created
23 a statewide electric bill assistance program similar to the draft legislative
24 proposal contained in the PSB report. That bill, S. 189 was then sent to the
25 Senate Finance Committee for further review.

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The DPS opposed legislation to create of a statewide ratepayer funded electric assistance program for low-income ratepayers, despite the fact that the 2005 Vermont Electric Plan raised the need for some type of assistance for low-income Vermonters who have trouble meeting their electric needs.

Over the next few weeks the Senate leadership decided that need for low-income electric customers could be met with a utility-by-utility program rather than a statewide program. They based this decision on knowledge that most states have utility based rate-payer funded programs that help low-income customers solely in the utility service area. Language to change the PSB authorizing statute was drafted based on language that had recently become law in Colorado. See, Colorado Revised Statutes, Title 40, Article 3, Section 106(d). The Senate added the language to H. 520, "The Vermont energy efficiency and affordability act," which was subsequently vetoed by Governor James Douglas in June of 2007.

In 2008, the PSB low-income authority was again added to legislation in the Senate, and S. 209, now Act 92, was signed into law by Governor James Douglas in March, 2008. In May of 2009, AARP Vermont filed the petition which is now the subject of this docket.

1 In Vermont, as of the effective date of the new law, the only experience with
2 a ratepayer-funded assistance program was GMP's Pilot Program.

3
4 **4. Please describe GMP's Pilot Program and its relation to this**
5 **docket.**

6
7 The origin of the GMP Pilot Program lies in GMP's filings in Docket 6107. In
8 Docket 6107, GMP asked for a 12.9% rate increase in order to avoid possible
9 bankruptcy, based in part on decisions regarding expenditures and/or
10 investments that the Board had already found to be imprudent or not used
11 and useful. AARP opposed the request. AARP also submitted expert
12 testimony proposing a ratepayer protection plan in the event the Petition
13 was granted. The plan was designed to return value to ratepayers when
14 GMP returned to financial health.

15
16 The Board adopted substantial parts of AARP's proposal. The Board's final
17 order in Tariff Filing of Green Mountain Power Requesting a 12.9% Rate
18 Increase, Docket 6107, January 23, 2001 (pp.248-49), concluded as follows:

19
20 25. As is more fully described in Section IV.G of this Order,
21 GMP's ratepayers shall receive fifty percent of the above-book
22 proceeds of any sale or merger of GMP, or sale of its regulated
23 assets, subject to a cumulative limit of \$ 8 million, such limit to
24 be adjusted for inflation. GMP shall notify this Board no later

1 than February 14, 2001, as to whether GMP requests a prompt
2 Board investigation into the specific design of the procedure by
3 which the windfall sharing is to be implemented.
4

5 In 2006, in Docket 7213, GMP sought approval under § 107 for acquisition of
6 its shares by Northern New England Energy Corporation and Northstars
7 Merger Subsidiary Corporation, triggering the requirements of the 2001
8 order. GMP proposed to satisfy the order by means of a \$ 9.2 million dollar
9 Efficiency Fund. The proposal called for the \$9.2 million to be placed in the
10 rate base, allowing return on the investment to the company and its
11 shareholders. AARP opposed this proposal and moved for summary
12 judgment on the grounds that the funds had to be disgorged from
13 shareholders in order to meet the terms of the 2001 order.
14

15 The Board rejected AARP's summary judgment motion. See order dated
16 11/17/06.
17

18 AARP then entered into settlement negotiations with GMP. A settlement
19 was reached. On January 12, 2007, AARP and GMP submitted to the Board
20 a proposal for what became the Pilot Program. The Program was to apply to
21 customers at or below 200% of the federal poverty level (FPL), and was to
22 utilize \$1 million from the Efficiency Fund to provide a 10% discount on bills.
23 The program was to have an annual \$330,000 cap and to run for three
24 years. The Board found that such a program could pass legal muster, in

1 concept, as a form of alternative regulation under § 218d. See order dated
2 February 2, 2007.

3
4 The Board issued an order on March 26, 2007, approving of the merger but
5 rejecting the GMP-AARP pilot program on grounds that it included a “first-
6 come, first-served” application process. The Board concluded that this
7 provision would result in undue discrimination, and invited the parties to
8 submit a revision.

9
10 GMP and AARP promptly submitted a revised proposal, eliminating both the
11 first-come, first-served provision and the annual \$330,000 cap. The overall
12 program limit of \$1 million remained in place. The Board approved the
13 revised plan on March 29, 2007.

14
15 GMP found that the 10% discount was not generating sufficient involvement
16 in the program, and sought permission to increase the discount to 25%.

17 The request was granted by the Board on September 17, 2008.

18
19 The Pilot Program involved no forgiveness of arrearages. GMP’s experience
20 in administering the Pilot Program’s monthly discounts, however, provides
21 useful information about how the present Petition may be administered.

22 Champlain Valley Office of Economic Opportunity was contracted by GMP to

1 provide the screening services. The cost of doing so was paid for out of the
2 Pilot Program's \$1 million allocation. According to GMP, the program
3 worked well, but it was apparent that it met only a fraction of the need;
4 many low-income customers did not take advantage of the program.

5
6 AARP expects that GMP's witnesses will be able to provide the details of how
7 the administration worked.

8
9 In summary, the Efficiency Fund proposal initially was objected to by AARP
10 because it was to be ratepayer-funded contrary to the 2001 order. AARP's
11 objection was rejected by the Board, in a pretrial ruling, and AARP then
12 worked with GMP to craft the low-income, ratepayer-funded Pilot Program,
13 under principles of alternative regulation as authorized by § 218d. The
14 adoption of § 218(e) now authorizes the Board to approve of a ratepayer-
15 funded low income protection plan under §§ 225-227 as well as § 218d.

16
17 **5. Please address the authority of the Board under new § 218(e).**

18
19 The current docket regarding AARP's petition is based on the following
20 statutory law:

21
22 Notwithstanding any other provisions of this section, the board, on its
23 own motion or upon petition of any person, may issue an order

1 approving a rate schedule, tariff, agreement, contract, or settlement
2 that provides reduced rates for low income electric utility consumers
3 better to assure affordability. For the purposes of this subsection, "low
4 income electric utility consumer" means a customer who has a
5 household income at or below 150 percent of the current federal
6 poverty level. When considering whether to approve a rate schedule,
7 tariff, agreement, contract, or settlement for low income electric utility
8 consumers, the board shall take into account the potential impact on,
9 and cost-shifting to, other utility customers. See 30 VSA section
10 218(e).
11

12
13 **6. Have questions been raised by other parties regarding the**
14 **authority of the Board under new § 218(e) and what is your view on**
15 **these issues?**
16

17 Several issues as to the meaning of the PSB authorizing language have been
18 brought to AARP's attention. These include:
19

- 20 1) whether or not the language permits the PSB to authorize a
21 statewide program or only a statewide obligation for all utilities;
22
23 2) whether or not the language permits the PSB to set a reduced low-
24 income rate schedule (tariff, agreement, contract, or settlement) just
25 for the two utilities in AARP's petition CVPS and GMP;
26
27 3) whether or not the language permits the PSB to authorize a
28 reduced low-income rate for customers at a different level of the
29 federal poverty level than contained in the language; and finally
30
31 4) whether or not the language authorizes the PSB when approving a
32 reduced electric rate for low-income customers to permit recovering
33 the cost from all classes of ratepayers.
34

1 I will address each issue separately.

- 2
3 1) Whether or not the language permits the PSB to authorize a statewide
4 program or only a statewide obligation for all utilities.
5

6 The Vermont Supreme Court has ruled on how statutory law is to be
7 interpreted by courts in Vermont and that should apply here as well. In
8 interpreting the statute we must assume that the legislation was drafted
9 advisedly, and that the plain ordinary meaning of the language used was
10 intended. See, e.g., *Committee to Save the Bishop's House v. Medical*
11 *Center Hospital*, 137 Vt. 142 (1979).
12

13 The Vermont Supreme has gone on to say, "We ordinarily rely on the plain
14 meaning of the words to construe statutes because we presume that it
15 shows the intent of the Legislature." See *Hill v. Conway*, 143 Vt. 91, 93, 463
16 A.2d 232 (1983). "Indeed, we have abandoned giving effect to plain
17 meaning only in "narrow and particular circumstances," *Dykstra v. Property*
18 *Valuation and Review Division*, 156 Vt. 215, 218, 591 A.2d 63, ____ (1991),
19 "because presumably the Legislature was aware of the words it used and
20 their meaning." See *State v. Camolli*, 156 Vt. 208, 213, 591 A.2d 53
21 (1991).
22

23 The plain meaning of the language in section 218(e) does not authorize the
24 PSB to create a statewide program to assist low-income electric customers.

1 The statute authorizes the Board to approve of a "rate schedule, tariff,
2 agreement, contract, or settlement." Of course, the Board does not approve
3 statewide rate schedules or tariffs that are applicable to all utilities. It
4 approves of tariffs and rates submitted by each utility. A statewide program
5 would be encompassed within the statute only if all the utilities in the state
6 were to enter into an "agreement, contract or settlement" providing for such
7 a program. That is not the case here.

8
9 The statute does grant the Board the authority, on its own motion or on
10 motion of any interested person, to approve of a rate schedule or tariff for
11 every single one of the utilities in Vermont. The result would be numerous
12 rate schedules and tariffs, but not a state-wide process that would be
13 administered across the boundaries of service territories.

14
15 The legislative history does not support an interpretation of the statute that
16 would allow a state-wide process, disregarding service territories. The issue
17 of a statewide electric assistance program administered by a state agency
18 was extensively discussed in legislative hearings and the PSB workshops. A
19 statewide proposal was contained in all of the proposed legislation, including
20 the PSB draft proposal submitted in 2007. The Vermont Legislature was
21 aware that the PSB's position was that it did not have the authority to
22 require a state agency to administer a statewide low-income electric

1 assistance program without an explicit authorization through statute to do
2 so.

3
4 The language of section 218(e) gives the authority to the PSB to do exactly
5 what it says “the board, on its own motion or upon petition of any person,
6 may issue an order approving a rate schedule, tariff, agreement, contract, or
7 settlement that provides reduced rates for low income electric utility
8 consumers better to assure affordability.” In evaluating the meaning of this
9 language one must believe that the Vermont Legislature understands the
10 existing authority of the PSB to approve rates, tariffs, agreements,
11 contracts, or settlements and only meant here to extend that existing
12 authority to help low-income customers afford access to electric service.

13
14 2) Whether or not the language permits the PSB to set a reduced low-
15 income rate schedule, tariff, agreement, contract, or settlement just
16 for the two utilities in AARP’s petition: CVPS and GMP.
17

18 The relevant part of section 218(e) here is “the board, on its own motion or
19 upon petition of any person.” This language intends that different results
20 could be obtained from different petitions. In other words, the Vermont
21 Legislature understood that petitions may be filed by the PSB itself, the DPS
22 or other state agency, a utility, an impacted individual or an organization
23 such as AARP. Inherent in the permissibility of different petitions is the
24 possibility for different solutions. The petition submitted by AARP does not

1 preclude other parties from submitting their own petition to address the
2 needs of other low-income customers in other utility service territories. The
3 Board could also do so on its own motion. Moreover, the Vermont
4 Legislature in hearings took testimony on successful low-income electric
5 assistance programs in other states, of which most are utility-based serving
6 only the low-income customers in their service territory.

7 3) Whether or not the language permits the PSB to authorize a
8 reduced low-income rate for customers at a different level of the
9 federal poverty level than contained in the language
10

11 The language of section 218(e) under discussion here is, "For the purposes
12 of this subsection, "low income electric utility consumer" means a customer
13 who has a household income at or below 150 percent of the current federal
14 poverty level." This language is straight forward. The Vermont Legislature
15 intended a low-income electric rate schedule to apply specifically and only to
16 those Vermont households that are at the time of enrollment at 150% of the
17 federal poverty level or below. A proposal to just apply the discount to
18 households below 150% of the federal poverty level would require the PSB
19 to disregard the "at." The statute refers to "a" rate for all customers "at or
20 below" the 150% level.

21 4) Whether or not the language authorizes the PSB when approving a
22 reduced electric rate for low-income customers to permit recovering
23 the cost from all classes of ratepayers.
24

25 The language of section 218(e) relating to this issue is "When considering
26 whether to approve a rate schedule, tariff, agreement, contract, or

1 settlement for low income electric utility consumers, the board shall take
2 into account the potential impact on, and cost-shifting to, other utility
3 customers.” Cost-based rate making has long been the well-documented
4 general principle of the PSB. The lack of authority for cross-subsidization
5 was the basis for rejection low-income rates in the past, as explained in
6 Docket 5308 -- even though supported by utility companies. The Vermont
7 Legislature is presumed to be aware of prior decisions interpreting its
8 statutes, *compare* Kapusta v. Board of Health, -- A.2d --, 2009 VT 81 ¶ 15
9 (2009)(the legislature is presumed to be aware of Supreme Court
10 interpretations of a statute), and in fact it was aware. The purpose of the
11 statute was to change this precedent.

12
13 Moreover, the Board’s own report to the legislature, upon which the new
14 statute was based, Electric Affordability Program: Report and Draft
15 Legislation (January 2007), made clear that inherent in any low-income rate
16 was cost-shifting. See, *e.g.*, p.27, noting that the proposed legislation “by
17 its very nature” requires a cross-subsidy and that this is “a departure from
18 normal rate-making principles.”

19
20 **7. Why does AARP’s petition addresses only GMP and CVPS?**
21

1 Over the summer and fall of 2008, after the 30 VSA section 218(e) language
2 became law, AARP sat down with CVPS, GMP and Burlington Electric
3 Department (BED) in separate meetings to discuss our intentions to file a
4 petition to create a utility-based ratepayer funded low-income electric bill
5 assistance program. In the course of these meetings, we began to see
6 significant differences in make up of the investor-owned utilities service
7 territories and their mix of ratepayers from BED. CVPS and GMP have large
8 service territories that cover the highest percentage of Vermont ratepayers.
9 Both service territories have a mix of residential customers in larger towns
10 and cities and small rural ones. Both utilities also cover areas of the state
11 with higher concentrations of low-income customers, but not in such
12 significantly high numbers that the costs of providing affordable electric can
13 not be spread across the system. Finally, both utilities also have a healthy
14 mix of different classes of ratepayers.

15
16 AARP believes that these similarities between GMP and CVPS lend
17 themselves well to a unified program design and approach to assisting low-
18 income ratepayers. Having one program design for the state's two largest
19 utilities will also make it easier for customers who move within these two
20 large service territories and provide regulators with more consistency in
21 oversight.

1 AARP also believes that BED and likely the smaller cooperative and municipal
2 utility companies would need a different approach to help make electric rates
3 affordable for their low-income customers. For example, BED has a large
4 percentage of the state's low-income households, a smaller customer base
5 and a less favorable mix of classes of ratepayers. Washington Electric Coop
6 (WEC) has a largely rural rate base and a small customer base with virtually
7 no large commercial and industrial customers.

8
9 AARP is a non-profit with limited resources. Filing a petition or intervening in
10 a rate case is a complex and expensive proposition, evidenced by how few
11 non-profits in Vermont participate in dockets before the PSB. Vermont does
12 not have intervenor funding or provide financial assistance to petitioners
13 who may not have the resources to represent themselves or their members.
14 AARP does not have the resources to file a petition encompassing all 20
15 utilities in Vermont, 14 of which are very small municipal utility companies
16 representing a small percentage of Vermont's ratepayers and an even
17 smaller percentage of low-income households.

18
19 **8. Is there a need for Vermont's two largest investor-owned utilities**
20 **to adopt a low-income electric assistance program?**

1 Yes. GMP and CVPS are the state's two largest electric utilities, serving
2 more than 70% of Vermont's ratepayers. Low-income electric assistance
3 programs offered by these two utilities would be available to a majority of
4 the eligible households in our state.

5
6 Data shows that a significant portion of the Vermont population lives at or
7 near poverty, and that a significant portion of that group are elderly
8 households.

9
10 According to the 2000 Census, Vermont had a lower per capita income
11 (\$20,625 for Vermont versus \$21,587 for the U.S.) and a slightly lower
12 median income than the U.S. average (\$40,856 for Vermont versus
13 \$41,994). Vermont's rank in this regard has fallen from a high of 11 in 1994
14 to a low of 29 in 2001 (where 1 is the highest rank among states).

15
16 According to the U.S. Census, 9.4% of Vermonters had income below the
17 poverty level. Slightly over 100,000 Vermonters, almost 18% of the entire
18 population, exist on income of 150% of the federal poverty level or less. Of
19 those individuals living below the poverty level, many are children. There
20 are 24,781 children under the age of 18 living in households with income at
21 130% of poverty level or below and 42,528 children living in families with
22 income at 200% of poverty level or below.

1
2 Twenty-two percent of Vermont's households have individuals 65 years and
3 over. Elderly Vermonters, similar to those in the rest of the U.S., are living
4 longer lives compared to earlier generations. In 2000, there were an
5 estimated 77,510 Vermonters aged 65 and over, compared to almost 40,000
6 in 1950. These older Vermonters comprise 13% of the total population, 26th
7 in a national ranking of states by percent of elderly population. This
8 percentage is estimated to grow to 20% by 2025. This majority of this
9 elderly population has one or more chronic health problems that require
10 medical treatment, the costs of which are escalating rapidly.

11
12 Approximately 8.5% or 6,588 individuals of those who are age 65 and older
13 subsist on income at or below the poverty level, but many more thousands
14 have income between 101% and 150% of poverty. Thirty six percent pay
15 more than 30% of their income for housing. The average Social Security
16 payment is only \$1,075. See *Vermont Quickfacts* issued by the U.S. Census
17 at <http://quickfacts.census.gov/qfd/states/50000.html> The calculation of
18 number of households in poverty was done by multiplying the average
19 persons per household in 2000 (2.44) by the number of persons living below
20 poverty (9.4% of 608,827, Vermont's 2000 population. Vermont had
21 240,634 households in 2000). See also, Hoffer, Doug, *Vermont Elder*
22 *Economic Security Standard*, prepared for AARP, Community of Vermont

Elders (COVE), Vermont Commission on Women and the Peace and Justice Center, 2009.

Moreover, as a result of the state's "Choices for Care" 1115 Medicaid waiver, Vermont has the highest Medicaid long-term care expenditures in the United States for elders receiving care in their homes. See, *Across the States*, AARP 2009. This makes the safety of the home environment even more essential to the health and welfare of Vermont's elderly population. The lack of access to affordable electric for an elderly person could seriously jeopardize their health because most necessary appliances rely on access to electric -- such as most furnace pilots, refrigerators, electric stoves, and electric phones.

9. Is access to affordable electricity a severe problem for low – income and elderly households?

Yes. For example, according to Roger Colton, a national expert on low-income energy burdens,

Home energy is a crippling financial burden for low-income Vermont households. Vermont households with incomes of below 50% of the Federal Poverty Level pay 95.3% of their annual income simply for their home energy bills. Home energy unaffordability, however, is not simply the province of the very poor. Bills for households between 75% and 100% of Poverty take up 27.4% of income. Even households with incomes between 150% and 185% of the Federal Poverty Level have energy bills above the percentage of income generally considered to be

1 affordable. See Colton, Roger, *On the Brink: Home Energy*
2 *Affordability Gap* (Fisher, Sheehan and Colton, 2009). This analysis
3 reflects 2008 prices and demographic data. Available at
4 www.fsconline.com
5

6 The state DPS released a 20-year plan in 2005 that identified the need for
7 low-income Vermonters to have access to affordable electric in order to
8 maintain their health and safety,
9

10 The consequences of unaffordable energy bills are serious. A recent
11 study commissioned by the National Energy Assistance Directors'
12 Association (NEADA) quantified severe negative impacts of the
13 affordability gap. Health impacts included 22% of LIHEAP recipients
14 reporting they went without food for at least one day, 38% without
15 medical or dental care, and 30% without filling a prescription or taking
16 the full dose prescribed. 21% got sick because their homes were too
17 cold. The impacts on shelter were also severe, with 28% failing to
18 make a rent or mortgage payment, 9% reporting they moved in with
19 family and friends, 4% experiencing eviction and 4% becoming
20 homeless. See *Vermont Electric Plan*, January 2005, page 10-9.
21

22 The Vermont Electric Plan goes on to lay out the benefits of providing low-
23 income families with electric rate assistance,
24

25 Although lack of affordability of electric rates is a social problem, it is
26 also a utility problem that poses significant costs that are ultimately
27 recovered in the form of higher rates. A 1991 study detailed eight
28 areas of utility costs associated with unaffordable bills. It concluded
29 that, when disconnection is used as a collections device, the cost of
30 disconnection and reconnection of a single household in 1989 was
31 \$65.71-\$66.99 (depending upon specific collections activities). Other
32 costs associated with energy unaffordability include bad debt, deposit
33 maintenance expenses, regulatory costs associated with handling
34 complaints, customer service time spent in negotiating payment
35 arrangements, credit agency fees, and the lost time value of

1 arrearages. In addition, when households are able to pay their electric
2 bills, they avoid the diverted revenue associated with debt collection
3 (such as reconnection fees) and the forced mobility, leaving more
4 money available for electric bills. The ability of low-income energy
5 assistance programs to reduce collections and related costs has
6 recently been demonstrated by a study commissioned by the Colorado
7 Energy Assistance. Among the findings were reductions of 35% to
8 70% in arrears and 65% to 80% in disconnections. The potential for
9 savings by utilities from the availability of a low-income electric energy
10 program is one reason why utilities have often advocated for the
11 establishment of such programs through rate design. See *Vermont*
12 *Electric Plan*, January 2005, pages 10-12 – 10-13.
13 .

14 It is clear that there is a need to address the affordability of electric in
15 Vermont's low-income population. Access to electric is often essential to
16 securing the health and safety of our most vulnerable population, especially
17 the elderly. The barrier for low-income utility customers is that they often
18 simply cannot afford to pay for electric based on an income to cost-of-living
19 basis. CVPS and GMP cannot deny that their low income utility customers
20 will benefit from approving this petition and so will all Vermont ratepayers
21 because of avoided systems costs.

22
23 **10. Does this conclude your testimony?**

24 Yes.
25
26
27
28